

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE AGREEMENT

Relating to

**\$286,945,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO SUBORDINATED  
WATER REVENUE BONDS, SERIES 2002**

(Payable Solely from Subordinated Installment

Payments Secured By Net System Revenues of the Water Utility Fund)

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the City of San Diego (the "City") and the Wells Fargo Bank, National Association (the "Dissemination Agent") in connection with the execution and delivery of \$286,945,000 Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Bonds, Series 2002 (Payable Solely from Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund) (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of October 1, 2002 (the "Indenture"), between the Public Facilities Financing Authority of the City of San Diego (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Principal of and interest on the Bonds will be paid from the 2002 Subordinated Installment Payments made by the City pursuant to a Master Installment Purchase Agreement, dated as of August 1, 1998 (the "Master Installment Purchase Agreement"), between the San Diego Facilities and Equipment Leasing Corporation (the "Corporation") and the City, as amended by the 2002 Supplement (the "2002 Supplement"), dated as of October 1, 2002, and the First Amendatory Supplement, dated as of September 19, 2002, each between the City and the Corporation (collectively, the "Installment Purchase Agreement") and assigned by the Corporation to the Authority pursuant to an Assignment Agreement, dated as of October 1, 2002, between the Corporation and the Authority. Pursuant to Section 5.02 of the 2002 Supplement and Section 7.09 of the Indenture, the City and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below). The City and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Owner or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Deputy City Manager of the City or his or her designee, or such other person as the City shall designate in writing to the Dissemination Agent and the Trustee from time to time.

"Dissemination Agent" shall mean Wells Fargo Bank, National Association, or any successor Dissemination Agent designated in writing by the City which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which fiscal year presently ends June 30), commencing with the report for the fiscal year ended June 30, 2002, provide to each Repository and the Dissemination Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Dissemination Agent shall have no duty or obligation to review such Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the City shall provide the Annual Report to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to inquire if the City is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository and the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date established herein for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the City, the Authority and the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City of San Diego Water Department for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board or as otherwise required by applicable State law. If the City of San Diego Water Department audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, following which the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the information contained in Table 2 (entitled "Historical Number of Retail Connections To Water System") of the Official Statement, dated October 8, 2002 (the "Official Statement"), relating to the Bonds, for the five most recently completed fiscal years.

(c) An update of the information contained in Table 4 (entitled "Water System Capital Improvement Program Estimated Expenditures") of the Official Statement for the 2003-2007 fiscal year period, as of the end of the most recently completed fiscal year.

(d) An update of the information contained in Table 5 (entitled "Historical Sources of Water Service Revenues") of the Official Statement for the five most recently completed fiscal years.

(e) An update of the information contained in Table 6 (entitled "Five-Year Water Service Charge History For Single Family Residential Units and Other Domestic, Commercial & Industrial") of the Official Statement for the five most recently completed fiscal years.

(f) An update of the information contained in Table 7 (entitled "Water Customer Accounts Receivable And Shut-Offs By Fiscal Year") of the Official Statement for the five most recently completed fiscal years.

(g) An update of the information contained in Table 8 (entitled "Water Utility Fund Historical Capacity Charge Revenues") of the Official Statement for the five most recently completed fiscal years.

(h) An update of the information contained in Table 9 (entitled "Recent Rate History For Water Capacity Charges") of the Official Statement for the five most recently completed fiscal years.

(i) Information contained in Table 10 (entitled "Water System Statement of Income") of the Official Statement will be available either in the City of San Diego Water Department audited financial statements, or will be updated in the Annual Report in tabular form similar to Table 10.

(j) Information contained in Table 11 (entitled "Calculation Of Debt Service Coverage") of the Official Statement will be available either in the City of San Diego Water Department audited financial statements, or will be updated in the Annual Report in tabular form similar to Table 11.

(k) Information contained in Table 12 (entitled "Financial Projections") of the Official Statement will be available either in the City of San Diego Water Department audited financial statements, or will be updated in the Annual Report in tabular form similar to Table 12 (except that such updated financial information shall state actual operating revenues and expenses on a cash basis (rather than projections)).

(l) An update of the information contained in the Official Statement under the heading "PENSION PLAN" for the most recently completed fiscal year.

(m) An update of the information contained in the Official Statement under the heading "LABOR RELATIONS" for the most recently completed fiscal year.

(n) An update of the information contained in the Official Statement under the heading "INVESTMENT OF FUNDS - Pool Liquidity and Other Characteristics," " - Derivatives" and " - Reverse Repurchase Agreements" and contained in Table 14 (entitled "City of San Diego Pooled Investment Fund") of the Official Statement as of the most recently completed fiscal year.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) modifications to rights of owners of the Bonds;
- (iv) optional, contingent or unscheduled Bond calls;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (viii) unscheduled draws on debt service reserves reflecting financial difficulties.
- (ix) unscheduled draws on credit enhancements reflecting financial difficulties;
- (x) substitution of credit or liquidity providers, or their failure to perform;
- (xi) release, substitution or sale of property securing repayment of the Bonds.

(b) The Dissemination Agent shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Dissemination Agent whether or not to report such event to the owners of the Bonds. In the absence of such direction, the Dissemination Agent shall not report such event unless otherwise required to be reported by the Dissemination Agent in its capacity as Trustee under the Indenture. The Dissemination Agent may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the Repositories with a copy to the City. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance prior redemption in full of all of the Bonds. If the City's obligations under the Installment Purchase Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City and the City shall have no further responsibility hereunder. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge Any such Agent with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City, provided, the Dissemination Agent shall not be Obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, pursuant to Section 7.09 of the Indenture, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25 in aggregate principal amount of Outstanding Bonds, shall), or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Installment Purchase Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Corporation, the Owners of the Bonds or any other party. The Dissemination Agent shall not have any liability to the Owners of the Bonds or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties related to this Disclosure Agreement may be given as follows:

To the City:	City of San Diego Financial and Management Department 202 C Street, M.S. 9-B San Diego, California 92101-3868 Attention: Deputy City Manager, Financial and Management Services Telephone: (619) 236-6070 Fax: (619) 236-7344
To the Dissemination Agent:	Wells Fargo Bank, National Association 707 Wilshire Blvd., 17th Floor Los Angeles, California 90017 Attention: Corporate Trust Department Telephone: (213) 614-3353 Fax: (213) 614-3355

Any person may, by written notice to the other persons listed above, designate a different address or telephone numbers) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Authority, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: October 1, 2002

CITY OF SAN DIEGO

By:\_\_\_\_\_

Title: Deputy City Manager

WELLS FARGO BANK, NATIONAL ASSOCIATION  
as Trustee,

By:\_\_\_\_\_

Authorized Officer

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of San Diego

Name of Issue: Public Facilities Financing Authority of the City of San Diego  
Subordinated Water Revenue Bonds, Series 2002 (Payable Solely from  
Subordinated Installment Payments Payable From Net System  
Revenues of the Water Utility Fund of the City of San Diego, California)

Name of Obligated Person: City of San Diego

Date of Issuance: \_\_\_\_\_, 2002

NOTICE IS HEREBY GIVEN that the City of San Diego has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.02 of the 2002 Supplement to the Master Installment Purchase Agreement, dated as of August 1, 1998, as amended, by and between the San Diego Facilities and Equipment Leasing Corporation and the City. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Dissemination Agent, on behalf of the City of San Diego

By: \_\_\_\_\_

cc: City of San Diego